

CA Foundation - Accounts

Following notes pertain to the Balance Sheet of Mars Company Limited as at 31<sup>st</sup> March 2022:

	₹
Authorised capital:	
50,000 12% Preference shares of ₹ 10 each	5,00,000
5,00,000 Equity shares of ₹ 10 each	50,00,000
	55,00,000
Issued and Subscribed capital:	
50,000 12% Preference shares of ₹ 10 each fully paid	5,00,000
<u>4,00,000 Equity shares of ₹ 10 each, ₹ 8 paid up</u>	32,00,000
Reserves and surplus:	
General Reserve 3. - <span style="margin-left: 20px;"><math>\frac{400,000}{4} = 100,000</math></span>	<u>1,60,000</u>
Capital Redemption Reserve 1.	2,40,000
Securities premium (collected in cash) 2.	<u>2,75,000</u>
Revaluation Reserve X	1,00,000
Profit and Loss Account 4.	16,00,000

On 1<sup>st</sup> April, 2022, the Company has made final call @ ₹ 2 each on 4,00,000 equity shares. The call money was received by 25<sup>th</sup> April, 2022. Thereafter, on 1<sup>st</sup> May 2022 the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held, it decided that there should be minimum reduction in free reserves. Gen Res  
P&L

On 1<sup>st</sup> June 2022, the Company issued Rights shares at the rate of two shares for every five shares held on that date at issue price of ₹ 12 per share. All the rights shares were accepted by the existing shareholders and the money was duly received by 20<sup>th</sup> June 2022.

Show necessary journal entries in the books of the company for bonus issue and rights issue.

Right Sh :  $500,000 \times \frac{2}{5} = 200,000$



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Following notes pertain to the Balance Sheet of Solid Ltd. as at 31st March, 2022:

		₹
<b>Authorised capital :</b>		
10,000	12% Preference shares of ₹ 10 each	1,00,000
	1,00,000 Equity shares of ₹ 10 each	<u>10,00,000</u>
	<b>+ 112500</b>	<u>11,00,000</u>
<b>Issued and Subscribed capital:</b>		
8,000	12% Preference shares of ₹ 10 each fully paid	80,000
90,000	Equity shares of ₹ 10 each, ₹ 8 paid up	<u>7,20,000</u>
<b>Reserves and Surplus :</b>		
	General reserve	<u>1,60,000</u>
	Revaluation reserve	35,000
	<u>Securities premium (collected in cash)</u>	<u>20,000</u>
	Profit and Loss Account	<u>2,05,000</u>
<b>Secured Loan:</b>		
	12% Debentures @ ₹ 100 each	5,00,000

+ 22500  
112500

On 1st April, 2022 the Company has made final call @ ₹ 2 each on 90,000 equity shares. The call money was received by 20th April, 2022. Thereafter the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held. Show necessary entries in the books of the company and prepare the extract of the Balance Sheet immediately after bonus issue assuming that the company has passed necessary resolution at its general body meeting for increasing the authorised capital.

$$\frac{90,000}{4} = 22,500 \text{ shares} \\ @ 10 = ₹ 2,25,000 \\ \downarrow \text{Reserves}$$

1. CRR
2. Cap Res. - in Cash
3. SPR - in Cash.
4. Gen Res
5. P&L



## Notes to A/c

### 1. Sh. cap

#### Auth. Sh. cap

10,000, 12% pref sh. cap @ 10 each	100,000	
112,500 eq. sh. of ₹10 each	<u>11,25,000</u>	12,25,000

#### Issued, sub & paid up cap

8,000, 12% pref sh. of ₹10 each	80,000	
112,500 eq. sh. of ₹10 each	<u>11,25,000</u>	12,05,000

[out of the above, 22,500 eq. sh. were issued as Bonus sh.]

### 2. Res. & Surplus

Gen. Res.	160,000	
(-) utilized for Bonus Issue	<u>(160,000)</u>	-
Rev. Res.	35,000	
Sec. Prem	20,000	
(-) Bonus Issue	<u>(20,000)</u>	
P&L	20,500	
(-) Bonus Issue	<u>(45,000)</u>	19,500

### 3. Long term Borrowing

12% Deb of ₹100 each 500,000

A company has decided to increase its existing share capital by making rights issue to its existing shareholders. The company is offering one new share for every two shares held by the shareholder. The market value of the share is ₹ 240 and the company is offering one share of ₹ 120 each. Calculate the value of a right. What should be the ex-right market price of a share?

Cum-Right Market price-

₹ 240

2 → 1

Ex-Right Market price-

$2 \times 240 + 1 \times 120$

3

= ₹ 200

Value of Right = Cum Right MP - Ex Right MP

= 240 - 200

= ₹ 40

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**FV - 300,000**

C Limited had 3,000 12% Redeemable Preference Shares of ₹ 100 each, fully paid up. The company had to redeem these shares at a premium of 10%. **+30,000**

It was decided by the company to issue the following:

- (i) ✓ 25,000 Equity Shares of ₹ 10 each at par, **₹-250,000**
- (ii) 1,000 14% Debentures of ₹ 100 each. ✗ ✓

The issue was fully subscribed and all amounts were received in full. The payment was duly made. The company had sufficient profits. Show Journal Entries in the books of the company.

W.N. Cap Red. Res.

FV of pref. sh. Redeemed. 300,000  
 (-) FV of Eq. sh. (250,000)

CRR 50,000 ✓

JOURNAL

1. Bank A/c Dr 250,000  
     To Eq. sh cap 250,000
2. Bank A/c Dr 100,000  
     To 14% Deb 100,000
3. 12% Pref sh. Dr 300,000  
     Premium Red. Dr 30,000 - Loss  
     To pref shareholder 330,000
4. Pref sh. Dr 330,000  
     To Bank 330,000

5. Profit & Loss Dr 50,000  
To CRR 50,000 ✓

6. Profit & Loss A/c Dr 30,000 - Profit ↓  
To Prem on Red. 30,000

CA Hardik Manchanda

CA Foundation - Accounts

X Ltd. gives you the following information as at 31st March, 2023:

Particulars		₹
<b>EQUITY AND LIABILITIES</b>		
<b>1. Shareholders' funds</b>		
a Share capital	225000	2,90,000
b Reserves and Surplus - P&L A/c	65000	48,000
<b>2. Current liabilities</b>		
Trade Payables		56,500
<b>ASSETS</b>		
<b>1. Property, Plant and Equipment</b>		3,45,000
<b>2. Non-current investments</b>		18,500
<b>3. Current Assets</b>		
Cash and cash equivalents (bank)	12000	31,000

The share capital of the company consists of ₹ 50 each equity shares of ₹ 2,25,000 and ₹ 100 each Preference shares of ₹ 65,000 (issued on 1.4.2021). Reserves and Surplus comprises Profit and Loss Account only.

+ 6500 = 71500 ✓

In order to facilitate the redemption of preference shares at a premium of 10%, the Company decided:

- (a) to sell all the investments for ₹ 15,000. ✓ loss 3500
- (b) to finance part of redemption from company funds, subject to, leaving a bank balance of ₹ 12,000. ✓
- (c) to issue minimum equity share of ₹ 50 each share to raise the balance of funds required. ✓

You are required to pass the necessary Journal Entries to record the above transactions >

<u>WN1</u>		<u>Bank A/c</u>		Cr.
To bal b/d	31000	by pref. sh. A/c	71500	
To Inv.	15000			
To Eq. sh. (bal. fig)	37500	by bal old	12000	
	<u>83500</u>		<u>83500</u>	

Min. eq. sh. =  $\frac{31500}{50} = 750$  eq. sh.

WN2 Cap Res. Res

FV of pref. sh. Redeemed. 65000  
 (-) FV of eq. sh. iss. (37500)

GRR 27500

Journal

- Bank Dr 15000  
 P&L Dr 3500  
     To Inv 18500
- Bank Dr 37500  
     To Eq. sh cap 37500

3. Pref sh. cap Dr 65000  
Prem on Red Dr 6500  
To Pref sh. A/c 71500

4. Pref sh. Dr 71500  
To Bank 71500

5. P&L Dr 27500  
To CRR 27500

6. P&L Dr 6500  
To Prem on Red. 6500

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## Journal

1. Bank Dr. 25000  
     To Eq. Sh. cap 25000
  2. S.I. pref sh. cap Dr. 100.000  
     Prem. on Red Dr. 10.000  
     To Pref sh. A/c 1.10.000
  3. Pref sh. A/c Dr. 1.10.000  
     To Bank 1.10.000
  4. Gen. Res. 60.000  
     P&L Dr. 10.000  
     Inv all Res 5000  
     To CRR 75000
  5. P&L Dr. 10.000  
     To Prem. on Red. of PS 10.000
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3. Pref. sh Dr 214800 - Dr.  
To Bank 214800
4. Gen. Res Dr 120.000  
P&L Dr 30.000  
To CRR 150.000 ✓
5. CRR Dr 120.000  
To Bonus to eq. sh. 120.000
6. Bonus to eq. sh. 120.000  
To Eq. sh. cap 120.000
7. P&L Dr 36000  
To Prm on Red. 36000
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Day #3 Done